

## Message Text

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PAGE 01 NEW DE 05378 141553Z  
ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 COME-00 STR-04 TRSE-00 PRS-01  
/024 W

-----150057Z 072553 /14

R 141137Z APR 77  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 2714  
FAS USDA WASHDC  
INFO AMEMBASSY COLOMBO  
AMCONSUL BOMBAY  
AMCONSUL CALCUTTA  
AMCONSUL MADRAS

UNCLAS NEW DELHI 5378

E.O. 11652: N/A  
TAGS: ETRD EAGR EFIN IN  
SUBJECT: EXPORT DUTY ON TEA

REF: NEW DELHI 5211

1. ACCORDING TO TRADE ESTIMATES (PUBLISHED IN THE ECONOMIC TIMES),  
THE NEW EXPORT DUTY OF RS. 5 PER KG FOR MOST TEA EXPORTS AND A  
WITHDRAWAL OF THE EXCISE DUTY REBATE WILL RESULT IN A NET REVENUE  
GAIN  
TO THE GOI OF APPROXIMATELY RS. 1,350 MILLION (DOLS153 MILLION  
AT DOL1.00 EQ RS. 8.80) DURING IFY 1977-1978. THIS GAIN IS  
SLIGHTLY MORE THAN 20 PERCENT OF THE PRESENTLY ESTIMATED CENTRAL  
GOVERNMENT 1977-78 BUDGET DEFICIT OF RS. 6,320 MILLION. ABOUT  
RS. 1,125 MILLION WOULD BE ADDITIONAL REVENUE FROM THE EXPORT  
DUTY, WHILE RS. 225 MILLION WOULD REPRESENT EXPENDITURE SAVINGS  
FROM THE DUTY REBATE WITHDRAWAL.

2. THE ABOVE TRADE-ESTIMATED REVENUE RECEIPTS ARE BASED ON ESTIMATED  
TEA EXPORTS OF 225 MILLION KG IN 1977-78, COMPARED TO 212 MILLION  
KG IN 1975-76 AND 190 MILLION KG DURING THE FIRST TEN MONTHS  
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OF 1976-77. OUR OWN ESTIMATE IS THAT 92 PERCENT OF INDIAN  
TEA EXPORTS WILL BE AFFECTED BY THE NEW EXPORT DUTY, WHICH  
WOULD RESULT IN A REVENUE GAIN OF APPROXIMATELY RS. 75,000  
MILLION LESS THAN THE ORIGINAL TRADE ESTIMATE OF RS. 1,350  
MILLION.

3. AVERAGE EXPORT PRICE OF INDIAN TEA WAS RS. 11.15 PER KG IN

1975-76 AND RS. 12.10 DURING THE FIRST TEN MONTHS OF 1976-77.  
ALTHOUGH PART OF THE INCIDENCE OF THE EXPORT DUTY WILL COME  
FROM THE PROFITABLE EXPORT EARNINGS OF INDIAN TEA INDUSTRY,  
QUITE A SUBSTANTIAL PORTION WILL BE TRANSMITTED TO EXPORT EARNING  
PRICES, WHICH WILL MAKE INDIAN TEA EXPORTS COSTLIER.

4. COMMENT: WE BELIEVE THAT ALTHOUGH A SIGNIFICANT OBJECTIVE  
OF THESE NEW FISCAL MEASURES HAS BEEN TO RAISE REVENUES,  
COROLLARY AIM HAS BEEN TO BRING DOWN DOMESTIC TEA PRICES.  
FURTHER, THE GOI IS EXPECTED TO CONTINUE TO GIVE PRIORITY TO  
EXPORT PROMOTION, INCLUDING TEA, BUT NOT AT THE EXPENSE OF  
DOMESTIC PRICES. THE GOVERNMENT WOULD LIKE TO ENSURE HIGHER  
EXPORT PRICES FOR INDIAN TEA, AND IT WILL WATCH CLOSELY THE  
REACTION OF INTERNATIONAL MARKETS IN ORDER TO ENSURE THAT ITS  
RECENT ACTION DOES NOT ADVERSELY AFFECT INDIA'S RELATIVELY BRIGHT  
TEA EXPORT OUTLOOK. TEA PROSPECTS IN 1977-78 ARE APT TO  
INCLUDE THE FOLLOWING: HIGHER AVERAGE EXPORT PRICES AND A  
LESS THAN PROPORTIONATE DECLINE IN QUANTITATIVE EXPORTS,  
RESULTING IN A SLIGHT RISE IN EXPORT EARNINGS, MODERATE INCREASES  
IN THE AMOUNT OF TEA AVAILABLE FOR DOMESTIC CONSUMPTION, AND  
AN EASING OF TEA PRICE PRESSURES IN THE DOMESTIC MARKET. SCHNEIDER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CUSTOMS DUTIES, EXPORTS, TEA  
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**Review Exemptions:** n/a  
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**Review Withdrawn Fields:** n/a  
**SAS ID:** 2806884  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EXPORT DUTY ON TEA  
**TAGS:** ETRD, EAGR, EFIN, IN  
**To:** STATE AGR  
**Type:** TE  
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